



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 5, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **PHOENIX HOUSE OF LOS ANGELES, INC. CONTRACT REVIEW – A
DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of Phoenix House of Los Angeles, Inc. (Phoenix House or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with Phoenix House, a private non-profit community-based organization that provides services to clients in Service Planning Area 2. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Third District.

DMH paid Phoenix House on a cost-reimbursement basis between \$1.86 and \$3.90 per minute of staff time (\$111.60 to \$234 per hour) for services or approximately \$1.9 million for Fiscal Year (FY) 2008-09.

Purpose/Methodology

The purpose of our review was to determine whether Phoenix House complied with its contract terms and appropriately accounted for and spent DMH program funds providing the services outlined in their County contract. We also evaluated the adequacy of the

Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency staff.

Results of Review

Phoenix House maintained documentation to support the mental health services billed and staff assigned to the County contract possessed the required qualifications. However, Phoenix House did not always comply with other County contract requirements. Specifically, Phoenix House:

- Did not complete some elements of the participants' Assessments, Client Care Plans and Progress Notes in accordance with the County contract.
- Charged DMH \$5,659 in payroll expenditures for six employees without adequate documentation to support the expenditures. Subsequent to our review, Phoenix House submitted the revised FY 2008-09 Cost Report to DMH excluding the \$5,659 in questioned costs.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with Phoenix House and DMH. In the attached response, the Agency concurred with our findings and recommendations. DMH indicated that they will follow-up to ensure Phoenix House implements the recommendations in this report.

We thank Phoenix House management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Dr. Rodney Skager, Chairman, Board of Directors, Phoenix House
Winnie Wechsler, Senior VP and Regional Director, Phoenix House
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH
PHOENIX HOUSE OF LOS ANGELES, INC.
FISCAL YEAR 2008-09**

BILLED SERVICES

Objective

Determine whether Phoenix House of Los Angeles, Inc. (Phoenix House or Agency) provided the services billed in accordance with their County contract with the Department of Mental Health (DMH).

Verification

We selected 35 billings totaling 3,557 minutes from 105,287 service minutes of approved Medi-Cal billings for February and March 2009. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 3,557 minutes represent services provided to 20 program participants.

Results

Phoenix House maintained documentation to support the service minutes billed. However, the Agency did not always complete some elements of the Assessments, Client Care Plans and Progress Notes in accordance with the County contract requirements.

Assessments

Phoenix House did not adequately describe the symptoms and behaviors exhibited by the clients to support the Agency's clinical diagnosis for seven (35%) of the 20 clients sampled on their Assessments. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorder and the criteria for diagnosing them.

Client Care Plans

Phoenix House did not complete the Client Care Plans in accordance with the County contract for nine (45%) of the 20 clients sampled. Specifically, the objectives contained in the Client Care Plans were not observable and/or quantifiable and did not relate to the clients' needs identified in their Assessments.

Progress Notes

Phoenix House did not complete four (11%) of the 35 Progress Notes in accordance with the County contract. Specifically, the Progress Notes billed for mental health services did not document what the clients or service staff attempted and/or accomplished towards the clients' goals.

Recommendation

1. **Phoenix House management ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency did not provide services that require staffing ratios for this particular program.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether Phoenix House's treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 11 of the 17 treatment staff who provided services to DMH clients during February and March 2009.

Results

Each employee in our sample possessed the qualifications required to provide the services billed.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash and other liquid assets.

Verification

We interviewed Phoenix House management and reviewed the Agency's financial records. We also reviewed the Agency's bank reconciliation for March 2009.

Results

Phoenix House maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether Phoenix House's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and selected a sample of expenditures to ensure that expenditures were properly allocated to the Agency's programs.

Results

Phoenix House's Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

Recommendation

None.

EXPENDITURES

Objective

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed financial records and documentation to support 19 expenditures totaling \$70,818 between November 2007 and June 2009.

Results

Phoenix House's expenditures were allowable, properly documented and accurately billed.

Recommendation

None.

FIXED ASSETS

Objective

Determine whether fixed asset depreciation costs charged to the DMH program were allowable under the County contract, properly documented and accurately billed.

We did not perform test work in this area, as Phoenix House did not charge DMH fixed asset depreciation costs during Fiscal Year (FY) 2008-09.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files were maintained as required.

Verification

We traced payroll expenditures totaling \$25,987 for 15 employees to the payroll records and time reports for the pay period ending April 5, 2009. We also interviewed seven employees and reviewed personnel files for the 15 employees included in our sample.

Results

Phoenix House maintained the personnel files as required. However, Phoenix House charged DMH \$5,659 in payroll expenditures for six employees without adequate documentation. Specifically, their timesheets did not indicate actual hours the employees worked each day on the DMH program. Subsequent to our review, Phoenix House submitted their FY 2008-09 Cost Report to DMH excluding the \$5,659 in questioned costs.

Recommendation

2. **Phoenix House management ensure that employees' timesheets indicate the actual hours worked each day by program.**

COST REPORT**Objective**

Determine whether Phoenix House's FY 2007-08 Cost Report reconciled to the Agency's financial records.

Verification

We traced the Agency's FY 2007-08 Cost Report to the Agency's general ledger.

Results

The Agency's total expenditures listed on their Cost Report reconciled to the Agency's accounting records.

Recommendation

None.

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REC'D FEB 18 2010



Phoenix House
Rising Above Addiction

February 17, 2010

Wendy L. Watanabe
Los Angeles County Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

Subject: Phoenix Houses of Los Angeles Inc. Contract Review – A Department of Mental Health Service Provider
FY 2008-09

Dear Ms. Watanabe,

I would like to thank your team for scheduling an exit conference with us on February 8, 2010. It was very helpful to the members of our program team. The following details our corrective action plan for the recommendation in the report.

Recommendation: Phoenix Houses management ensure that Assessments, Client Care Plans, and Progress Notes are completed in accordance with the County contract.

Quality Assurance Coordinator, Romeo Herrera, joined Phoenix House on July 15, 2008. The DMH Liaison visited the program in early August to train and consult with QAC and therapists. At the time, meetings were held with staff to assess their understanding of requirements and tailor training to their needs. In response, training was completed for all staff and individual supervision occurred as well. Three staff attended off site training with DMH in LA.

Since the DMH Audit, we have undertaken an audit of our records on a routine basis using the attached audit tool. Finance and program staff now meet routinely to review findings (3 times a month). An Audit Ticket process is now in place to catch any billing errors. Chart audits have been changed to ensure that Assessments, Client Care Plans and Progress Notes are present.

We are now aware that training with staff is needed on a repetitive and routine basis to refresh their understanding of the specific connection of diagnosis, goals and progress notations and to properly train new staff is necessary.

Additional therapist training will be scheduled and completed before March 1, 2010 on the connection between Assessments, Client Care Plans and Progress Notes.

Therapists will turn in paperwork in a timely manner, following the due date spreadsheet given to them monthly by QA Manager (following 30-day, quarterly, 6-month, and Annual deadlines). On-going.

Individual supervision meetings with therapists will be modified to include review of Units of Service billing logs and Assessments, Client Care Plans and Progress Note on a routine basis and documented monthly starting in February 2010.

Thank you for your consideration in this matter. If you have any questions, please feel free to contact me at 818-686-3015.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Stanley-Salazar", with a stylized flourish at the end.

Elizabeth Stanley-Salazar
Vice President, Managing Director

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Phoenix House
Rising Above Addiction

March 12, 2010

Wendy L. Watanabe
Los Angeles County Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

Subject: Phoenix Houses of Los Angeles Inc. Contract Review – A Department of Mental Health Service Provider FY 2008-09

Dear Ms. Watanabe,

The following is an addendum to the Corrective Action Plan that was submitted on February 17, 2010.

Recommendation: Phoenix Houses management ensures that employees' timesheets indicate the actual hours worked each day by program.

Most if not all of the employees allocated to this program are providing services at 100% to the program and for those that aren't we are making sure that their timecard reflect their actual hours worked by program. We implemented a system that will create a process of review for accuracy by their supervisor on a weekly basis and employee's timecards had been change to allow employees to record their time properly. Employees have been retrained on the proper way to complete their timecard.

Thank you for your consideration in this matter. If you have any questions, please feel free to contact me at 818-686-3015.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Elizabeth Stanley-Salazar'.

Elizabeth Stanley-Salazar
Vice-President, Director